

Message Text

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PAGE 01 KINGST 00452 282121Z
ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 DODE-00 PM-04 H-01 L-03 PA-01 PRS-01 /089 W
-----290950Z 095538 /21

R 282045Z JAN 77
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 3885
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY NASSAU
AMEMBASSY PORT

C O N F I D E N T I A L KINGSTON 0452

E.O. 11652: GDS
TAGS: PFOR, JM
SUBJECT: PRIVATE SECTOR'S REACTION TO PRIME MINISTER'S AUSTERITY
PACKAGE

1. SEPTTEL PROVIDES OUR ECONOMIC AND POLITICAL ANALYSIS OF
THE AUSTERITY MEASURES ANNOUNCED BY PM MANLEY ON JANUARY 19.
PARALLEL TO THE PREPARATION OF THAT MESSAGE, WE HAVE BEEN
MONITORING THE VISA OPERATION AND HAVE TALKED TO A NUMBER OF
PRIVATE SECTOR LEADERS IN AN EFFORT TO DETERMINE THAT
SECTOR'S REACTION.

2. THIS REACTION CAN BE SUMMED UP IN THREE WORDS: DESPAIR
AND PANIC. VIRTUALLY EVERYONE THAT WE HAVE TALKED TO CON-
SIDERS THE NEW TAX STRUCTURE CONFISCATORY AND MOST CERTAINLY
A DIS-INCENTIVE TO PRODUCTIVE EFFORT ON THE PART OF THE
MIDDLE AND UPPER CLASSES. MANY BUSINESSMEN COMMENT
THAT THEY ARE THOROUGHLY BOXED IN. THERE IS LITTLE
INCENTIVE TO REMAIN IN BUSINESS. YET PLANT CLOSURES,
BUSINESS CLOSURES OR PRODUCTION CUTBACKS ARE NOW BY
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DEFINITION "ECONOMIC CRIMES". LENDING WEIGHT TO THE
VIEW THAT THE NEW TAX STRUCTURE IS CONFISCATORY ARE
THE COMMENTS AND ACTIONS OF THE GOVERNOR OF THE BANK
OF JAMAICA. HE HAS TOLD US THAT NEITHER HE NOR MANY
OTHERS CAN NOW AFFORD MORTGAGE PAYMENTS ON HOUSES OWING
TO THE CEILINGS ON INCOME. HE PERSONALLY IS FORFEITING
A DEPOSIT ON A HOUSE HE HAD INTENDED TO BUY.

3. ANOTHER MEASURE OF THE LEVEL OF PRIVATE SECTOR CONCERN IS THE SHARP INCREASE SINCE JANUARY 19 OF INQUIRIES ABOUT IMMIGRATION TO THE UNITED STATES BY PROMINENT BUSINESSMEN, OFFICIALS, AND SKILLED PROFESSIONALS WHO UNTIL THAT TIME HAD SWORN THEY WOULD NEVER LEAVE JAMAICA. WITH THIS NEW GROUP NOW ADDED TO THOSE THAT ARE "BAILING OUT", IT IS HARD TO THINK OF MANY ON THIS ISLAND OF IMPORTANCE TO THE PRIVATE SECTOR (AND EVEN TO SOME KEY AREAS OF GOVERNMENT) WHO ARE NOT ATTEMPTING TO EMIGRATE.

4. IF THE REAL GOAL OF THE RADICALS IN THE MANLEY GOVERNMENT IS TO RESTRUCTURE AND TO LEVEL JAMAICAN SOCIETY, THAT GOAL MAY BE REALIZED FAR EARLIER THAN IS GENERALLY APPRECIATED BY THE RADICALS THEMSELVES -- AND PERHAPS AT A FAR HIGHER ECONOMIC COST THAN IS APPRECIATED BY ANYONE.
GERARD

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Message Attributes

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Disposition Approved on Date:
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